



COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

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May 2, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mark J. Saladino
Treasurer and Tax Collector 

SUBJECT: **ADVANCE NOTIFICATION OF INTENT TO ENTER INTO
DISCUSSIONS WITH COLUMBIA ULTIMATE, INC. FOR CONTINUED
MAINTENANCE AND SUPPORT OF THE COUNTY'S DEBT
COLLECTION SOFTWARE**

In accordance with Board policy requiring advance notification of prospective sole source agreements, this letter is to advise you that the Treasurer and Tax Collector (TTC) intends to enter into contract discussions with Columbia Ultimate, Inc. (Columbia Ultimate) for the continued maintenance and support of the County's debt collection software. Following the conclusion of discussions, a Contract for the software licensing and support will be submitted to your Board for approval.

BACKGROUND

The software licensing and services agreement is required for the licensing, professional services, and the on-going support and maintenance of Columbia Ultimate's proprietary software application, Revenue Plus Collection System (RPCS), utilized and identified by TTC as Collections and Accounts Receivable System (CARS). This software resides in a secure server environment within the County's Enterprise Network (EN) in the Downey Data Center.

CARS provides prioritized, simplified and automated collections on delinquent accounts for all departments in the County of Los Angeles, including collections on Probation Department (Probation) accounts that are forwarded monthly to victims of crimes as restitution payments. TTC is the custodian of the system, and in addition to TTC, Probation has on-line access to their respective accounts for up-to-date activity. There are approximately 753,000 active accounts currently in CARS. The software application also provides government specific modules that deal with Tax Intercept, Account

Distribution and Proration, California specific Employment Development Department (EDD) and Franchise Tax Board (FTB) modules, which include data transmittal from the State for California Department of Social Services (CDSS) tax intercept on all accounts that qualify. CARS also interfaces with the Department's outside collection agency (OCA) and uploads collection referrals from the Department of Public Social Services Los Angeles Eligibility, Automated Determination, Evaluation & Reporting (LEADER) System. On a yearly basis, the TTC collects approximately forty-two million dollars (\$42,000,000), and adds approximately ninety thousand (90,000) new accounts to the system.

The TTC procured the CARS software from Columbia Ultimate through a software licensing and services agreement. The purchase order process has specific statutory limitations pertaining to service contracting, and the authority to contract for services beyond a specific dollar threshold rests with your Board. Accordingly, the TTC is seeking to enter into discussions leading to a Board-approved sole source contract with Columbia Ultimate.

JUSTIFICATION

Columbia Ultimate is a leader in collection software used by a total of seventy-one (71) state, county, and city locations across the Country, which includes forty-five (45) cities and counties in California; of which includes the Counties of San Bernardino, Orange, San Diego, Riverside, Kern, and City/County of San Francisco and the cities of Pasadena and Los Angeles. Columbia Ultimate is the only company that installs, supports, and licenses the RPCS proprietary software known as CARS. Columbia Ultimate is the sole authorized provider of the CARS product and related modules presently used by TTC and has served as the sole authorized provider of customizations to CARS applications. CARS has substantially increased recovery of outstanding revenue by providing intensive management of accounts with consistent follow up. There are new accounts being referred to TTC for collection on a regular basis and payment information is being transmitted to and from the referral department to insure that the respective system data remains consistent and up-to-date. Tax intercept data is being transmitted routinely to the State for California Department of Social Services (CDSS) and Probation collections. Some of the efficiencies customized in the application include, automated assignment of accounts, automated collection letter processes, automatic movement of data to the OCA and transaction auditing between OCA and CARS, and an interface with eCAPS. Without this application, the automated collection and reporting functions would be significantly disrupted and require labor intensive handling and processing of the extensive volume of accounts and data, which will create scheduling and transmittal backlogs impacting all users, agencies, and constituents and increase the potential for error. A disruption would adversely impact Probation's court mandate to monitor probationer's payment of fines and fees as part of their conditions of probation and could result in a decrease in the restitution payments made to crime victims. In addition, a significant interruption would compromise TTC's successful system of internal controls.

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In the event a comparable replacement system was available and sought, it would require a considerable amount of analysis, cost and development time to identify and replicate the current application's functionality. A new contractor, unfamiliar with TTC's collection operations and requirements, would experience an extensive learning curve with setup and integration, while compromising the current system's successful operation and impact the TTC's ability to remain compliant with certain statutorily required reporting deadlines, and would negatively impact the County. During any lengthy transition time, collections would likely decrease significantly and have a detrimental economic impact on the County.

NOTIFICATION TIMELINE

Unless otherwise directed by your Board, we will proceed with sole source contract discussions.

If you have any questions or need additional information, please contact Lourdes Guerrero, Information Systems Manager, at (213) 974- 7618.

MJS:Iso

c: Chief Executive Officer
County Counsel